

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

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FM AMEMBASSY ATHENS

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E.O. 11652:N/A

TAGS: EIND, ENRG, GR

SUBJECT: OCEANIC/GOG DISCUSSIONS RE THASSOS OIL CONTRACT

REF: ATHENS 9010, 12/19/74

1. JAN. 21 OCEANIC PRESIDENT JACK GRYNBERG AND GENERAL CONSUL NORMAN SINGER BEGAN A SERIES OF MEETINGS WITH INDUSTRY MINISTRY COMMITTEE IN RESPONSE TO GOG'S DEMAND FOR REVISION OF OCEANIC'S CONTRACT. EVEN THOUGH OCEANIC CONTRACT MOVES AUTOMATICALLY FROM EXPLORATION TO EXPLOITATION PHASE FOR A TOTAL INITIAL TERM OF 26 YEARS, AND EVEN THOUGH THE CONTRACT ITSELF IS PROTECTED BY THE TERMS OF GREECE'S INVESTMENT INCENTIVE LAW 2687/1953, GOG HAS MADE IT CLEAR IT WISHED TO INCREASE ITS SHARE OF THE OIL OCEANIC PUMPS FROM ITS THASSOS ISLAND FIELD.

2. GOG ARGUES THAT OIL PRICES HAVE SKYROCKETED IN LAST TWO YEARS FAR IN EXCESS OF EXPLOITATION COSTS, AND GOVERNMENT WANTS A SHARE OF WHAT IT TERMS OCEANIC'S "WINDFALL PROFITS". THERE MAY BE A CERTAIN ROUGH JUSTICE TO GOG ARGUMENT. BUT EMBASSY AND OTHERS HAVE WARNED GOG

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THAT NO CONSTITUTIONALLY PROTECTED LAW 2687 CONTRACT HAS

EVER BEEN BROKEN BY GOG IN PAST, AND THE DAMAGE TO GREEK FOREIGN INVESTMENT CLIMATE FROM SUCH AN ACT COULD WELL OUTWEIGH BALANCE OF PAYMENTS BENEFITS OCCURRING FROM INCREASE IN GOG SHARE OF OCEANIC'S OIL.

3. COMMENT: IT IS MUCH TOO EARLY TO PREDICT WITH ANY SURETY WHAT OUTCOME OF OCEANIC/GOG NEGOTIATIONS WILL BE. OUR GUESS, HOWEVER, IS THAT OCEANIC WILL CONCEDE GREATER ROYALTY OR TAX TO GOG FOR QUID PRO QUO, E.G. ADDITIONAL TIME TO EXPLORE ITS PRESENT CONCESSION AFTER/EXPLORATION TERMINATION DATE OF MARCH 21, 1975. (FINAL DATE FOR RETURN TO GOG OF UNWANTED 80PCT OF ORIGINAL CONCESSION).

4. MINISTRY OF INDUSTRY SPOKESMAN HAS ALSO ANNOUNCED GOG INTENTION TO AMEND EXPLORATION CONTRACTS WITH OTHER U.S. CONCESSIONAIRES (AN-CAR; ANSCHUTZ; VO; SERRES - GREEK-OWNED, U.S.-BASED). KUBISCH

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